

ESHB 1796 - S COMM AMD

By Committee on Economic Development, Trade & Management

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that nonprofit
4 organizations and associations engaged in the education and training of
5 people, located in economically disadvantaged areas, who are involved
6 in the creation and expansion of businesses with marketable products
7 and services in a physical location provide many public benefits to the
8 people of the state of Washington. Therefore, the legislature finds
9 that it is in the best interest of the state to provide a limited
10 property tax exemption for the use of these facilities by certain
11 organizations in order to be self-sustaining for their exempt purposes.

12 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW
13 to read as follows:

14 (1) The real and personal property owned and used by a nonprofit
15 organization is exempt from property taxes levied for any state purpose
16 if the property is:

17 (a) Located in an economically distressed area; and

18 (b) Used to provide shared use of equipment and work areas and
19 daily technical resources and daily management support services that
20 enable small start-up and emerging businesses to become successful.

21 (2) The organization or association must meet all of the additional
22 following conditions:

23 (a) The organization is organized and conducted for nonsectarian
24 purposes;

25 (b) The organization is qualified for exemption under section
26 501(c)(3) of the federal internal revenue code;

27 (c) The organization is governed by a volunteer board of directors
28 of at least five members;

1 (d) The organization charges fair market rent to the businesses
2 that use that organization's work areas; and

3 (e) Is certified by the department of community, trade, and
4 economic development as a "qualified small business incubator" under
5 chapter 43.176 RCW that meets the requirements of this act.

6 (3) In 2010 any nonprofit organization claiming the exemption under
7 subsection (1) of this section must report to the department the number
8 of businesses served by the nonprofit and the types of services
9 provided. Nonprofits failing to report to the department are
10 ineligible for the exemption under subsection (1) of this section. The
11 department shall compile the information and share it with the
12 appropriate committees of the legislature.

13 (4) The department of revenue may revoke a small business
14 incubator's property tax exemption under this section upon clear and
15 convincing evidence that the small business incubator is not complying
16 with the requirements of this section.

17 (5) In order to maintain eligibility to receive the exemption under
18 this section, a nonprofit organization that otherwise meets the
19 requirements in subsection (2) of this section must: (a) Apply for the
20 Washington state quality award within two years after first receiving
21 the exemption in this section; and (b) reapply for the Washington state
22 quality award at least once every three years after the initial
23 application for the award program.

24 (6) For the purposes of this section, the following definitions
25 apply:

26 (a) "Economically distressed area" means a rural county as defined
27 in RCW 82.14.370, a county with a community empowerment zone under RCW
28 43.31C.020, or a community empowerment zone under RCW 43.31C.020.

29 (b) "Emerging business" means a business that is: (i) Engaged in
30 activities related to the development of initial product or service
31 offerings, such as prototype development or establishment of initial
32 production or services processes; (ii) less than five years old and
33 during the previous fiscal year had gross revenues of no more than two
34 million dollars; or (iii) in a growth mode, expanding its operation or
35 its market.

36 (c) "Start-up business" means a formal business venture that: (i)
37 Is involved in activities related to the development of initial product
38 or service offerings, such as prototype development or establishment of

1 initial production or services processes; (ii) is less than three years
2 old and during the previous fiscal year had gross revenues of no more
3 than two million dollars; and (iii) has fewer than twenty employees.

4 (7) The exemption may not be taken for taxes due after January 1,
5 2016.

6 NEW SECTION. **Sec. 3.** This act applies to taxes levied for
7 collection in 2008 and thereafter."

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8 On page 1, line 3 of the title, after "enterprises;" strike the
9 remainder of the title and insert "adding a new section to chapter
10 84.36 RCW; and creating new sections."

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